

**MINUTES OF THE  
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR  
APPROPRIATIONS SUBCOMMITTEE**

**Room 210, Senate Building**

January 30, 2014

**Members Present:** Sen. Brian E. Shiozawa, Senate Chairman  
Rep. Jim Bird, House Chairman  
Rep. Stewart E. Barlow, House Vice Chair  
Sen. Wayne A. Harper  
Sen. Scott K. Jenkins  
Sen. Stuart C. Reid  
Rep. Patrice M. Arent  
Rep. James A. Dunnigan  
Rep. Jeremy A. Peterson  
Rep. Val L. Peterson  
Rep. Dixon M. Pitcher  
Rep. Angela Romero  
Rep. V. Lowry Snow  
Rep. Ryan D. Wilcox  
Rep. Brad R. Wilson

**Members Absent:** Sen. Curtis S. Bramble  
Sen. Gene Davis  
Sen. Jerry W. Stevenson

**Staff Present:** Dr. Andrea Wilko, Chief Economist  
Mr. Zackery King, Fiscal Analyst  
Ms. Rosemary Young, Committee Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

Chair Shiozawa called the meeting to order at 8:05 a.m.

**Public Service Commission**

Analyst Zackery King explained the PSC Base Budget as found in SB4 and showed how the materials may be accessed online through the Legislature home page, this committee, and "meeting materials." There are three line items: Public Service Commission, Speech and Hearing Impaired, and Universal Telecommunications Support Fund. The majority of funding comes from the Commerce Service Account - Public Utilities Regulatory Fee. All utility rate payers throughout the state pay into the PURF, whose funds have been traditionally nonlapsing. There is a 7% increase in administration the majority of which is coming from nonlapsing balances.

Ron Allen, Chairman of PSC, introduced Commissioner Thad LeVar and Gary Widerburg, Commission Executive Secretary. Commissioner LeVar reported that the Commission's role is to regulate privately owned companies which provide telecommunications, electricity, natural gas, water, and sewer service to Utah residents. The three legs of the stool of public utilities regulation are just and reasonable rates, good reliable customer service, and financially healthy utilities. The annual report is available on the Commission website if further detail is desired. The majority of the caseload deals with Rocky Mountain Power and Questar Gas. Utah's utility rates have been and are among the lowest in the country. Regulations may change, but the principles of good regulation do not change. The matter of staffing was discussed. Utah has one of the smallest staffs in the nation, but it and the funding are deemed adequate. Occasionally expert consultants are used on a temporary basis rather than having them permanently on staff. Multi-state process meetings require travel as do national commission meetings where what is going on in energy in the entire western United States or the nation is discussed. Travel has been cut back by participating in webinars instead.

The workload the Commission deals with is very uneven, therefore they have left open three FTE's, holding the funds in their nonlapsing fund in order to hire consultants when the work load requires it. One of the FTE's is about to be filled. It was asked whether the Commission is being over funded because they have left these positions open. The Commission responded that that funding is absolutely essential. Employees are highly educated and part of a highly specialized world.

Gary Widerburg addressed questions concerning materials for hearing impaired with the information that in the past there had been problems with equipment occurring over and over and requiring multiple visits, so programs were set up to address the problems by telephone, and the need for many of the visits was eliminated. Currently equipment can be installed within 10 days of approval of application. They are looking at decreasing fees, but there may be an unfunded mandate coming soon from the FCC, shifting costs of some caption phones to the states to the tune of \$1M annually. No final word on this has been received.

### **Tax Commission**

Analyst King presented the Base Budget as found in SB4 for the Tax Commission. There is one recommendation that \$2.5 M in nonlapsing funds be put on the reallocation list one time

Bruce Johnson, Tax Commission Chair, briefly reviewed the Tax Commission and introduced Barry Conover, Executive Director, who introduced Julie Alsop, Budget Director, and Scott Smith, Deputy Executive Director. Through a power point presentation, the mission statement of the Tax Commission, divisions and responsibilities were reviewed. Millions of tax documents are processed every year. The Commission has a hand in everything that's revenue in the state, and in FY2013 \$7.6B was collected which is about 55% of the state budget. The

breakout is as follows:

Education	42%
General Fund	25%
Trust Funds	17%
Transportation Fund	13%
Miscellaneous	3%

The Tax Commission modernization project brought a new computer system which is working well. The improved computer system has resulted in better audit selection, finding tax evasion, enhancing citizen compliance, and improved data security features. Citizens can now file a tax return, warehouse a payment until they want it released from the bank to the tax commission, amend a return, register a car, all online. Currently 54% of people register vehicles online, the highest percentage of any state. One core state-of-the-art system handles all these taxes making it much more maintainable. The total cost of this new system was \$30M. There are now 748 employees down from 787 before the project. Processing time is speeded up by 15%. Audit productivity in income taxes is increased by 50%. Average time per audit is decreased by 35%. The office is becoming very efficient in collecting delinquent revenues. Nonlapsing funds are still needed to finish the motor vehicle system, obtain new scanners, implement better security, get new processing equipment to process the over 700,000 checks each year, and keep up with new technology. Security of the personal information which comes in is a great concern. The Commission is asking for a wrap-up contingency of \$500,000. The phone system is antiquated, a new system would be about \$200,000. All new wiring is required in the building.

Sen. Reid pointed out that security is going to be an ongoing increasing expense and that Utah for a number of reasons is a magnet for efforts to attack our databases. The matter of more auditors and collectors bringing in more funds and paying for themselves was addressed. More resources in the Attorney General's office would be helpful to the Commission. Already of the 5,000 tax returns processed this year 226 have been identified as potentially fraudulent. Commissioner Johnson reported that any money spent on the Tax Commission brings in a multiplier effect. What the state lost in known fraud was identified as \$46,000, but \$4M was stopped from going out. Better fraud detection capability in personnel and software would result in more being saved. The relative value of collectors and auditors was discussed. Each has a different skill set.

Commissioner Darcy Dixon-Pignanelli added that the reason for hiring an executive director is to maintain the integrity of the appeals process. Commission meetings are open to the public. Mr. Conover reported that there will be approximately 75-100 seasonal employees to handle the April 15 crush.

**MOTION:** Sen. Harper moved to approve the base budgets of Heritage and Arts, Commerce, Financial Institutions, and Labor Commission. The motion passed unanimously with Rep. Bird, Rep. Dunnigan, and Rep. Wilcox absent for the vote.

## **USTAR**

Analyst King reviewed the base budget and meeting materials found online for this committee. He pointed out that funding for research teams at the two universities was broken out as a separate line item. The possibility of changing this to a separate line item for each of the two universities was discussed as a means of the legislature having additional oversight of the agency. Money would be able to be moved within the university and its extensions. Other universities than the two specified in the base budget are covered in the Technology Outreach line item. Sen. Reid requested that the amounts going to all universities in the outreach program be made available. The second part of the analyst's recommendation is to break out expenses for the different research teams rather than have them appear in the Other Charges/Pass Through category. This would increase oversight ability. Other options to increase oversight are to remove nonlapsing balances and require them to go through the normal process which would require passage of a bill and to fund research teams through one-time funding for a specific purpose.

Greg Bell, Chairman of the Governing Authority, reported that USTAR is implementing as quickly as possible the recommendations of the legislative audit. The agency found that the audit focused primarily on how results were reported and how normal corporate board procedures with state agents were complied with. No money has been misappropriated: all has been tracked.

Jim Grover, Finance Manager, has been in the position for 5 months and reported on how the agency is responding to the audit. There will be significant turnover in the Governing Authority in the coming months. A finance subcommittee has been created which will go through a specific budget process. The whole process was described in detail. Research teams will be expected to come according to a schedule and report to the Governing Authority on their performance. It was reported that cumulatively 2006 to 2013 external funding to USTAR entities amounts to \$250M. The STORM contract of \$150M was not included in this figure.

Chair Bell proposed that USTAR give to the LFA a copy of the adopted budget every year and an evaluation every year of every research team. Also proposed is to have an external financial and performance audit yearly. It was requested by Sen. Reid that in addition to the previous proposals that USTAR work with staff to come to an agreement for a model for an ROI which will be reported to the committee. It was requested that the committee staff and USTAR work together to determine the best way to create line items in the budget to give the desired information. Rep. Arent requested that all this information be given to the executive branch.

Spencer Eccles, Executive Director of GOED, reported that the Governor is informed on USTAR issues and will be going forward.

**MOTION:** The motion to adjourn passed unanimously with Sen. Harper absent for the vote.

Chair Shiozawa adjourned the meeting at 11:00 a.m.

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Sen. Brian E. Shiozawa, Chair

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Rep. Jim Bird, Chair